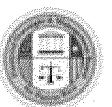


Debtors' Ex. 31

(Part 1 of 2)



Puerto Rico's Proposed Plan of Adjustment Benefits



Puerto Rico's Fiscal and Economic Condition Prior to PROMESA

The Government's fiscal and economic outlook were unstable, which prompted the Oversight Board's creation

Debt and Pensions

- Clear inability to pay more than \$70 billion in debt & \$50 billion in unfunded pension liabilities
- Sitting Governor declared the debt was unsustainable and could not be paid
- Central Government cash holdings were almost fully depleted

Economy

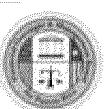
- A decade of economic decline
- Unemployment rate was 10.1% in June 2017, one of the highest levels in the country, and labor force participation was 39.4%, two-thirds the U.S. average
- Deteriorating macro environment driven by loss of manufacturing tax incentives, changes in trade policy, effects of local banking sector financial crisis, and substantial loss of local capital

Outmigration

- More than 300,000 people – 10 percent of the population – had already left the island in search of greater economic opportunity during the 10 year period prior to PROMESA

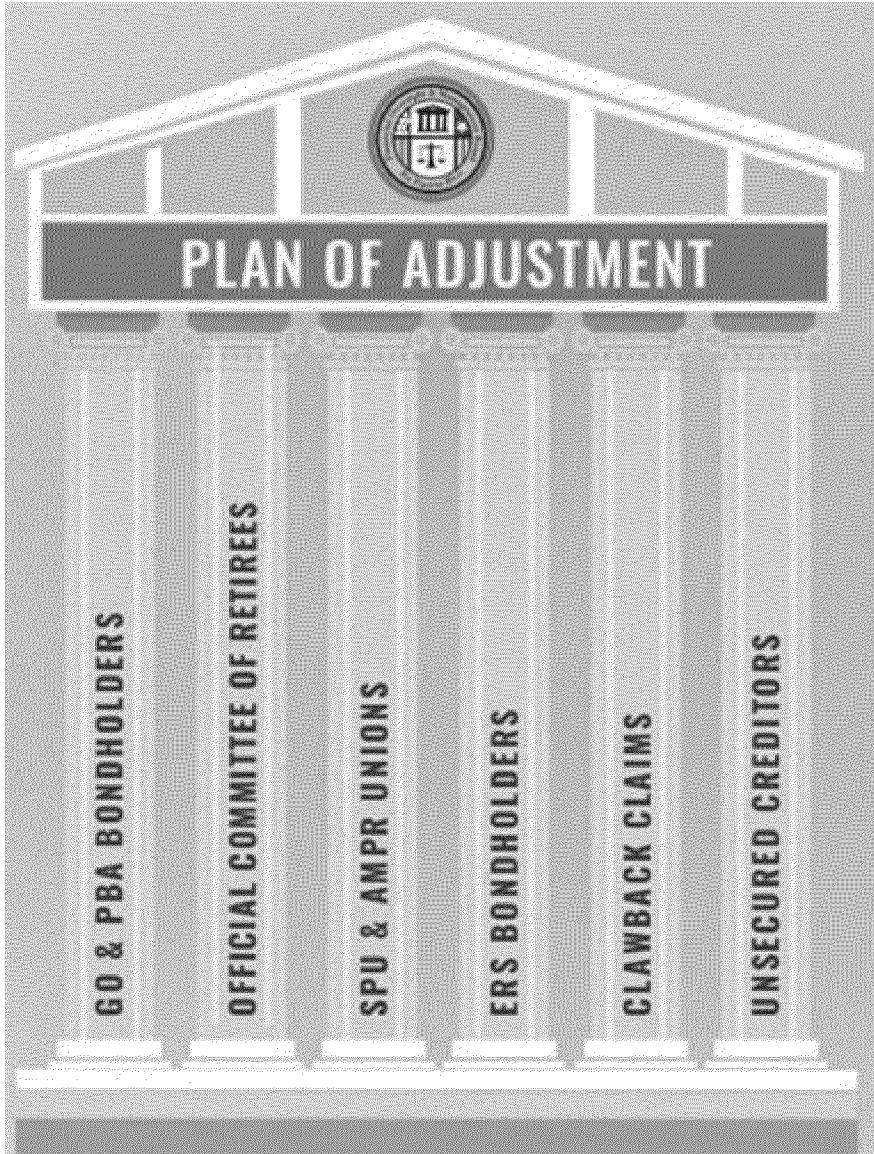
Government Expenditures

- Dangerously low liquidity and revenue shortfalls impaired strategic decision making
- Revenues were over forecast, which contributed to unbalanced budgets
- One-time revenue and debt were used to cover recurring budget gaps



Foundation for the End of Puerto Rico's Bankruptcy

The Plan has support from the vast majority of key stakeholders

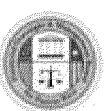


Consensual Plan of Adjustment

- Provides consensual framework to restructure Puerto Rico's debt so it can emerge from bankruptcy as soon as the end of 2021
 - Critical step to achieve the end of PROMESA and the Board
- Widespread support from key stakeholders, including: unions, retirees, bondholders, monoline insurers, and general obligation creditors

Unique Opportunity Which Is Unlikely to Be Repeated

- Delays emerging from bankruptcy, causing the Oversight Board to remain in place for a longer period of time
- Future deals and settlements will likely cost more as federal funding continues to increase (particularly Medicaid funding) and the economic recovery begins to take hold
- Transaction costs (i.e., advisors, debt issuance) increase with further delays to emergence
- Adverse litigation outcomes could result from creditors asserting legal rights to revenue streams, property, or budget enforcement mechanisms
- Should the Commonwealth or its instrumentalities remain in bankruptcy beyond the outside dates in the Plan Support Agreements, creditors could try to lift stay and claim all available cash



Plan of Adjustment Benefits

The Plan provides a path to fiscal sustainability and economic growth

1

Debt Drastically Reduced and Made More Affordable

Decreases Commonwealth debt by more than 75% and the total debt balance by more than 50%

2

Significantly Benefits Residents of Puerto Rico

Brings stability and enables greater spending on infrastructure and essential services

3

Protects and Preserves Pensions

Protects most vulnerable retirees from any cut; any and all cuts can be restored; creates a sustainable way to fund future pension payments

4

Government Employees Get Stability and Trust

Repays up to \$1.5bn to employees for their System 2000 contributions and Act 1 / 447 participants; preserves worker rights by enforcing new labor friendly CBAs

5

Outperformance Benefits Government Employees and Retirees

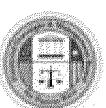
Vast majority of benefits accrue to employees and retirees if the government performs well

6

Government Retains Significant Cash

Government gets to keep more than \$19.6bn⁽¹⁾ for operating & emergency use

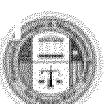
1) Includes instrumentalities, public corporations, restricted funds, and Commonwealth cash.



Plan of Adjustment Benefits

PROMESA allowed for a fair and equitable restructuring process

	Prior to PROMESA	After Plan of Adjustment
1	<p>Debt Drastically Reduced & Made More Affordable</p> <ul style="list-style-type: none"> ▪ Overall ~\$70bn outstanding, 11 issuers ▪ Commonwealth ~\$33bn outstanding, 7 issuers ▪ 25% of Commonwealth own-source revenues for debt service ▪ Defaulted on multiple credits, with no access to capital 	<ul style="list-style-type: none"> ▪ Overall ~\$34bn outstanding, 6 issuers ▪ Commonwealth ~\$7bn outstanding, 1 issuer ▪ 7.2% of Commonwealth own-source revenues for debt service ▪ Provides path to access capital markets in the future
2	<p>Significantly Benefits Residents of Puerto Rico</p> <ul style="list-style-type: none"> ▪ Uncertainty driven by financial distress ▪ Minimal investment in infrastructure ▪ Limited access to and higher cost of capital ▪ Declining economy and significant outmigration 	<ul style="list-style-type: none"> ▪ Increased transparency in government reporting ▪ Greater spending on infrastructure and essential services ▪ Enhanced investor confidence and lower borrowing costs ▪ Government to invest and retain complete ownership of assets
3	<p>Protects and Preserves Pensions</p> <ul style="list-style-type: none"> ▪ Broken promise to set-aside contributions ▪ Pensioners subject to significant risk ▪ Retirement system assets were fully depleted ▪ Disparate treatment among pension systems 	<ul style="list-style-type: none"> ▪ Restores employees' contributions to System 2000 ▪ Preserves 100% of benefits for 72% of retirees ▪ Pension trust contributions to fund future PayGo ▪ Pension cut restoration based on outperformance
4	<p>Government Employees Get Stability and Trust</p> <ul style="list-style-type: none"> ▪ Expired collective bargaining agreements ▪ Frozen wages and benefits since FY2014 ▪ Carried the burden of unsustainable debt 	<ul style="list-style-type: none"> ▪ Enhanced stability through 5-year CBAs ▪ Inflationary payroll increases and higher medical plan contributions ▪ Improve workforce management through civil service reform
5	<p>Outperformance Benefits Government Employees and Retirees</p> <ul style="list-style-type: none"> ▪ No incentive to make government more efficient ▪ High percentage of revenues dedicated to debt service 	<ul style="list-style-type: none"> ▪ Bonuses for employees if government outperforms ▪ Creditors share in only 7.6% of revenue outperformance
6	<p>Commonwealth Retains Significant Cash</p> <ul style="list-style-type: none"> ▪ Low of only \$14mm in the TSA in June 2015 ▪ No emergency reserves for natural disasters 	<ul style="list-style-type: none"> ▪ Minimum cash balance of \$1.0bn in the TSA ▪ \$1.3bn emergency reserve and \$750mm working capital revolver to jumpstart recovery work

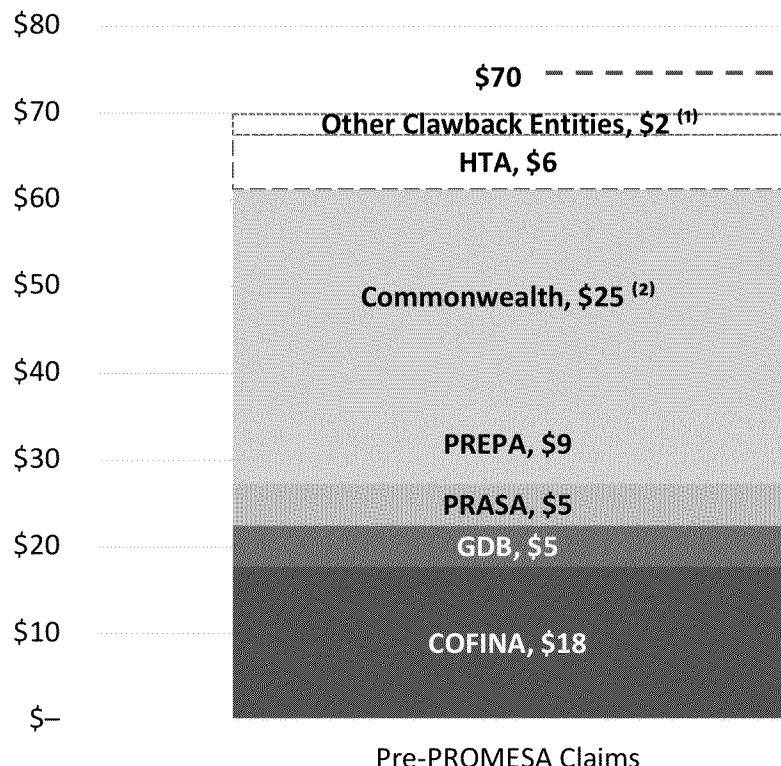


1 Overall Debt Drastically Reduced and Made More Affordable

Commonwealth claims (excluding pensions) reduced from ~\$33 billion to ~\$7 billion after Plan effectiveness.

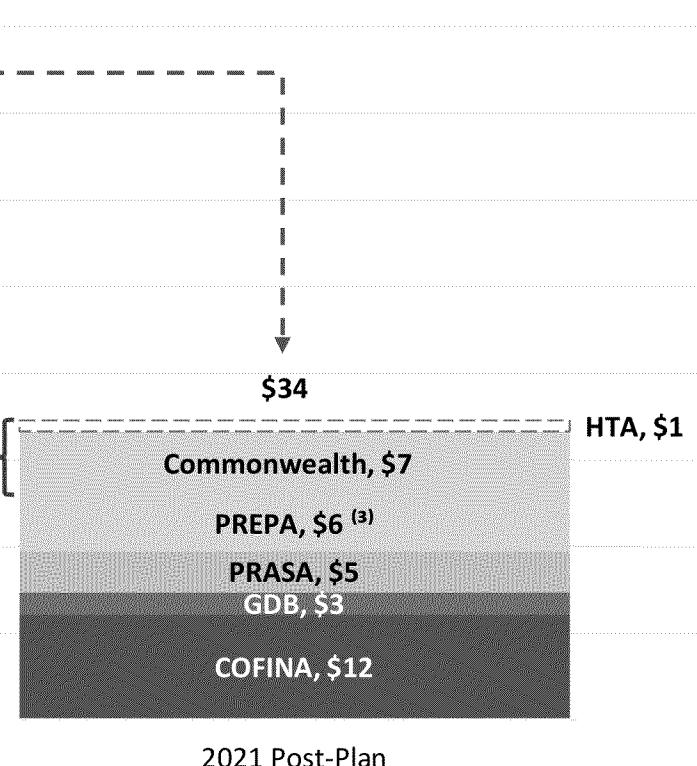
COMMONWEALTH PRE-PROMESA OBLIGATIONS

(\$ in billions)



COMMONWEALTH POST-PLAN OBLIGATIONS

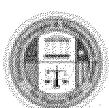
(\$ in billions)



1) Claims include ~\$2 billion PRIFA and ~\$450 million CCDA and MBA.

2) Includes GO/PBA claims of ~\$19 billion, estimated GUCs of \$2.75 billion, and ERS claims of ~\$3 billion.

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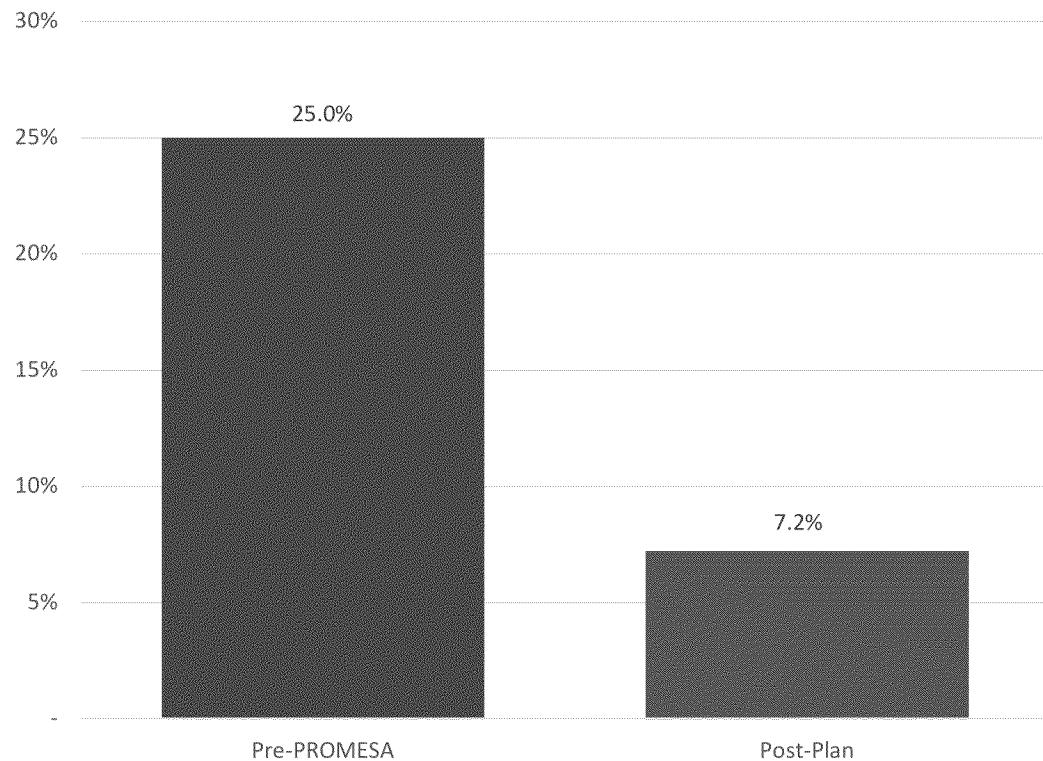


1 Overall Debt Drastically Reduced and Made More Affordable

The Commonwealth will emerge with substantially less debt as compared to pre-PROMESA and to the average of the top 10 most indebted U.S. states.

PUERTO RICO PRE-PROMESA AND POST-PLAN DEBT SERVICE COMPARISON⁽¹⁾

(% OF DEBT POLICY REVENUES)



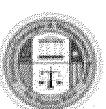
DEBT MANAGEMENT POLICY HIGHLIGHTS

- Incremental debt issuances capped at 7.94% of the prior year's debt policy revenues
- Long-term borrowing for capital improvements only
- All newly-issued debt must begin to amortize within 2 to 5 years of issuance
- Maturities cannot exceed 30 years
- A refinancing of the debt must provide cash flow savings in every fiscal year and produce positive present value savings⁽²⁾

Source: Moody's Investor Service "State Government – U.S. Medians," 2020. (Note, Moody's 2015 number was adjusted to exclude HTA debt service).

1) Represents pro forma debt service, including COFINA, as a percent of FY21 own-source revenues. Excludes HTA debt service in both Pre-PROMESA and Post-Plan for purposes of comparability. HTA debt to be issued and structured pursuant to HTA Plan of Adjustment and received on the basis of non debt policy revenues.

2) Refinancings in direct response to a natural disaster are permitted not to have cash flow savings in every year, cannot increase future debt service by more than 10%, and must be repaid within 10 years.



1 Overall Debt Drastically Reduced and Made More Affordable

The restructured debt service is more affordable and sustainable in the long-term.

REDUCTION IN ANNUAL DEBT SERVICE

(\$ in millions)

\$4,500

\$4,000

\$3,500

\$3,000

\$2,500

\$2,000

\$1,500

\$1,000

\$500

\$-

FY2018 FY2020 FY2022 FY2024 FY2026 FY2028 FY2030 FY2032 FY2034 FY2036 FY2038 FY2040 FY2042 FY2044 FY2046 FY2048 FY2050

COFINA Sr.

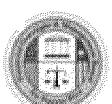
GO CIBs

5.375% GO CABs

5.000% GO CABs

Pre-PROMESA Debt Service (ex. HTA)⁽¹⁾

⁽¹⁾ Excludes HTA debt service in both Pre-PROMESA and Post-Plan for purposes of comparability. HTA debt to be issued and structured pursuant to HTA Plan of Adjustment.



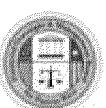
1 Overall Debt Drastically Reduced and Made More Affordable

The Commonwealth Title III settles outstanding litigation with multiple creditor groups. With only GO and HTA debt, the Commonwealth debt structure is much simpler post-Plan effectiveness.

(\$ in millions)	Claim / Outstanding Debt		Avg. Debt Service ⁽¹⁾	
	Pre-PROMESA	Post-Plan	Pre-PROMESA	Post-Plan
GO / PBA	\$18,754	\$7,414	\$1,332	\$666
HTA ⁽²⁾	6,258	1,245	294	TBD
PRIFA	1,929	0	140	0
CCDA	384	0	30	0
ERS	3,169	0	271	0
GUCs	2,750	0	0	0
Total	\$33,243	\$8,659	\$2,067	\$666

1) Average debt service FY2022-2031. Post-PROMESA debt service includes CABs. Excludes pro forma debt service at HTA secured by toll revenues.

2) HTA new debt to be structured pursuant to HTA Plan of Adjustment.

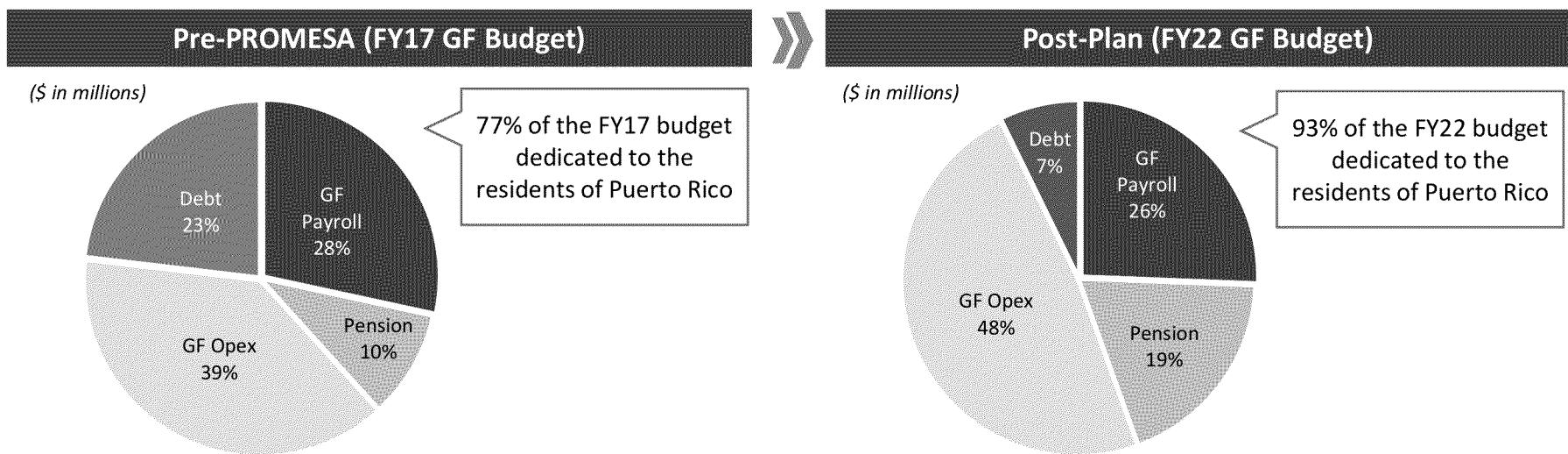


2 Significantly Benefits Residents of Puerto Rico

The Plan of Adjustment brings stability and enables significant investments that benefit the people of Puerto Rico.

PLAN WILL RESULT IN SIGNIFICANT BENEFITS

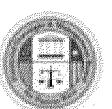
- Provides an end to years of economic uncertainty and to the bankruptcy process
- Avoids raising taxes to pay unsustainable debt levels
- Amounts saved in debt service enable greater spending on infrastructure and essential services
- Borrowing costs could be lower because Puerto Rico will be a less risky location for loans
- Investment is expected to increase due to economic stability, which should result in new jobs



Note: FY2017 Debt represents the pre-petition debt obligation but was not paid.

Source: FY17 Budget, 2021 Certified Fiscal Plan.

Note: FY2022 excludes the CVI and pension trust contributions



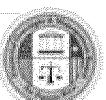
2 Significantly Benefits Residents of Puerto Rico

The Plan has several mechanisms to address long unresolved claims of on-island creditors, including specific claims reconciliation processes and a taxable bond election for on-island creditors.

(\$ in millions)	Description	# of Claims	\$ of Claims Allowed	Total Distribution
Dairy Producers	<ul style="list-style-type: none"> ▪ Suiza Dairy and Vaqueria Tres Monjitas claims against the Commonwealth 	2	\$62	\$31 ⁽¹⁾
Med Centers	<ul style="list-style-type: none"> ▪ Claims filed by federally qualified health centers 	35	\$294	\$146 ⁽¹⁾⁽²⁾
Convenience Class	<ul style="list-style-type: none"> ▪ General Unsecured Claims (GUCs) \$20k and less can elect to be paid in full ▪ Claims are paid the lesser of \$20k or the allowed amount of the claim 	2,331	\$19	\$19
Convenience Class Opt Ins	<ul style="list-style-type: none"> ▪ Larger claims can opt in to the convenience class ▪ Opt in claims receive \$20k per claim, regardless of size of claim 	2,083	\$107	\$42
Administrative Claims Reconciliation ("ACR") Process	<ul style="list-style-type: none"> ▪ Claims by individuals regarding pension benefits, public employee-related matters, union grievances, or income tax refunds ▪ After reconciliation, claims are transferred into ACR pool and paid in full in the ordinary course 	44,694	\$293	\$293 reserve
Taxable Bond Election	<ul style="list-style-type: none"> ▪ Holders of GO or PBA Bond Claims can elect to receive taxable New GO Bond distribution, which carries a higher interest rate ▪ Puerto Rico retail investors benefit from the higher annual interest income as residents of Puerto Rico are generally exempt from federal income taxes 	TBD	TBD	\$822

1) Payment over 3 years.

2) Assumes class votes to accept Plan.



3 Protects and Preserves Pensions

Key Pension Benefits in Plan of Adjustment

Pension plans are completely unfunded

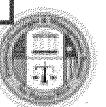
- Despite past pension reforms, ERS and TRS only had funds equal to less than 1 year of benefit payments
- Historical pensions contributions were substantially lower than actuarially required contributions and benefit payments

Plan protects the most vulnerable

- 72% of retirees, i.e. everyone with a monthly benefit of \$1,500 or less, will have no reduction to their benefit payment
- Teachers and Judges get access to Social Security benefits for the first time

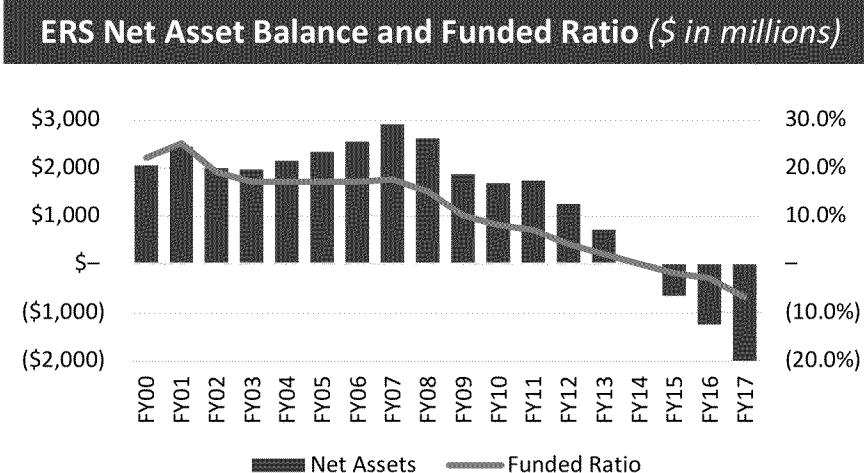
Plan adequately funds pension benefits

- Allocates approximately 20% of the General Fund to pay pensions
- Allocates 10% of excess surplus to restore pension cuts
- Pension trust funded in the next 8 years to protect pension payments in the long-term
 - ~\$3bn of projected contributions
 - After 15 years, deficits are projected to reemerge, requiring money to be set aside today
- Without the freeze and the cut, benefit payments would become more costly in the future
- Absent the Plan, the Government would become more reliant on internal and external actions (including structural and fiscal reforms) to fund pension benefits in the future
- Reduces probability future governments will have to choose between paying debt and paying pensions, once again



3 Protects and Preserves Pensions

Pre-PROMESA = No Funds

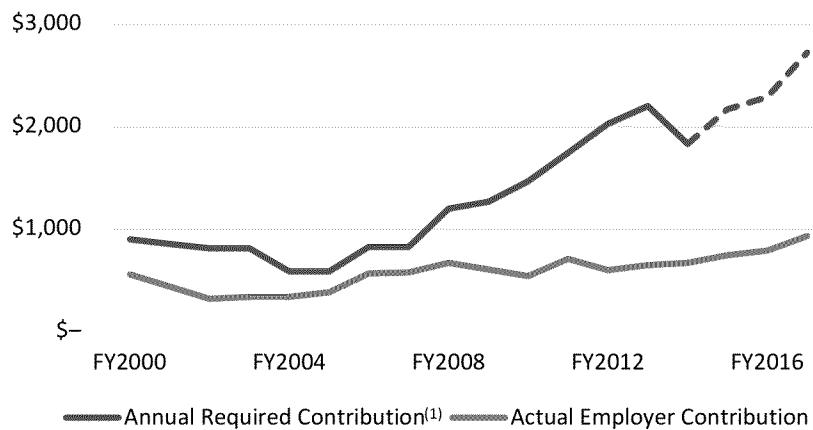


Post-Plan = Protects & Preserves

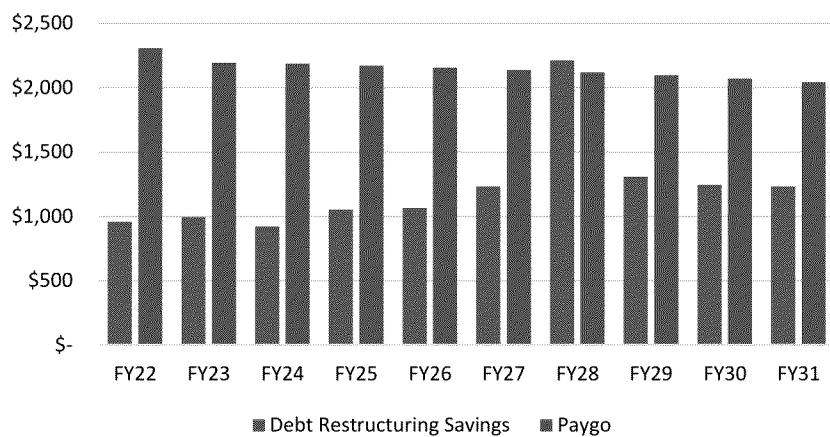
Retirees Not Receiving Reductions

Group	PERCENT OF RETIREES	
	% Total Current Retirees Not Cut at \$1,500	% of Total Current & Future Retirees Not Cut at \$1,500
ERS	78.1%	87.9%
TRS	55.3%	70.7%
JRS	12.8%	21.9%
Total	71.6%	83.4%

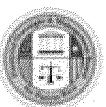
ERS Required vs. Actual Contributions (\$ in millions)



Debt Restructuring Savings Cover 57% of Paygo



1) Dotted portion reflects estimated contributions.
 2) Contribution based on the 2021 Certified Fiscal Plan.



4

Government Employees Get Stability and Trust

Key Labor Benefits in Plan of Adjustment

Contractual Protection

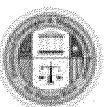
- Provides long-term 5-year worker-friendly CBAs for stability and assurances of no further pay cut

Healthcare

- Higher medical plan contributions, \$170 per member per month versus Fiscal Plan at \$125 per month

Bonuses

- Provides signing bonuses and incentivizes efficiencies by providing members a share in outperformance of the Fiscal Plan



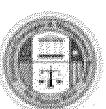
5 Outperformance Benefits Government Employees and Retirees

Vast majority of outperformance accrues to employees and retirees if the government outperforms.

		Outperformance Shared	Cap	Term
Surplus Sharing	Commonwealth	<ul style="list-style-type: none"> \$200 million annual surplus retained 	\$200 million	None
	Pension Reserve Trust	<ul style="list-style-type: none"> Projected annual surplus after debt service per Certified Fiscal Plan as of the Plan of Adjustment effective date, less \$200 million⁽¹⁾ 	None	8 years
	Pension Benefit Restoration	<ul style="list-style-type: none"> 10% of incremental surplus vs. Certified Fiscal Plan⁽²⁾ as of the Plan of Adjustment effective date 	None	12 years
	Unions	<ul style="list-style-type: none"> 25% of incremental surplus vs. Certified Fiscal Plan⁽²⁾ as of the Plan of Adjustment effective date 	None	5 years
Revenue Sharing	Financial Creditors	<ul style="list-style-type: none"> 90% of 5.5% Sales and Use Taxes collections ("5.5% SUT") outperformance vs. 2020 CFP 40% General Fund Rum Tax Collections outperformance vs. 2021 CFP 	\$8.7 billion	30 years

1) Calculated as the lower of actual and projected surplus less (i) Commonwealth debt service and (ii) \$200 million.

2) If Excess Cash Surplus is lower than \$100mm, no amounts will be distributed.

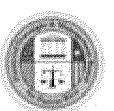
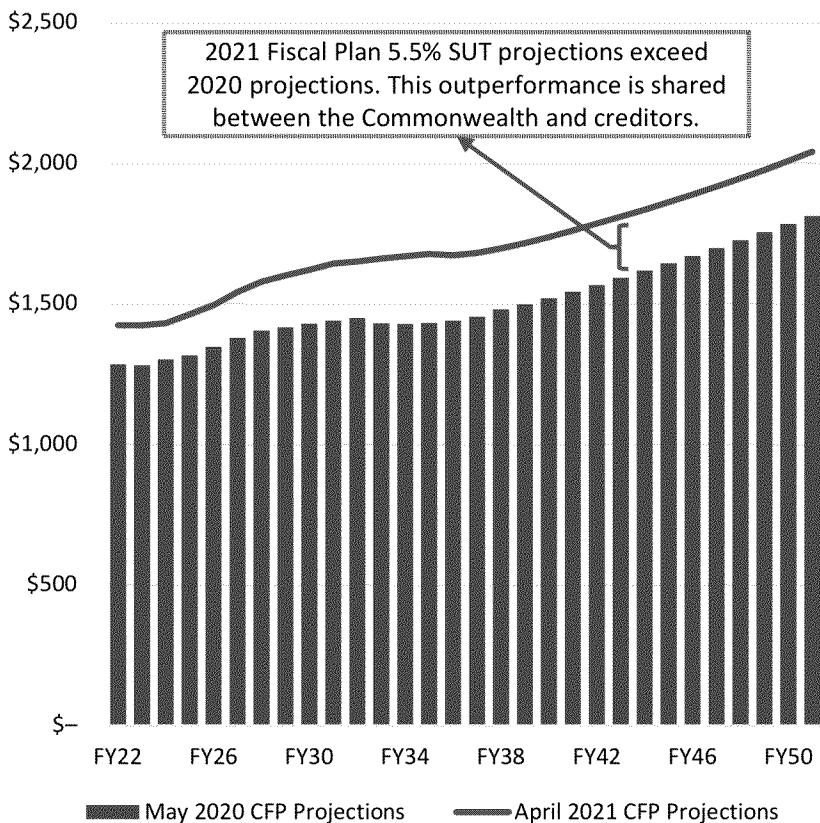


5 Outperformance

SUT CVI shares only 7% of debt policy revenue outperformance

	Sales and Use Tax ("SUT") CVI
Metric to Measure Outperformance	<ul style="list-style-type: none"> 5.5% SUT collections per May 2020 Fiscal Plan Calculated off ~50% of total SUT collections 7.0% of FY20 debt policy revenues
Sharing of Outperformance	<ul style="list-style-type: none"> Lesser of: <ul style="list-style-type: none"> 90% of <u>cumulative</u> outperformance 95% of <u>annual</u> outperformance
Lifetime Cap	<ul style="list-style-type: none"> GO CVI: \$3.5 billion Clawback CVI: \$5.2 billion
Annual Cap	<ul style="list-style-type: none"> \$375 million
Term	<ul style="list-style-type: none"> GO CVI: 22 years Clawback CVI: 30 years

5.5% SUT PROJECTIONS (\$ in millions)



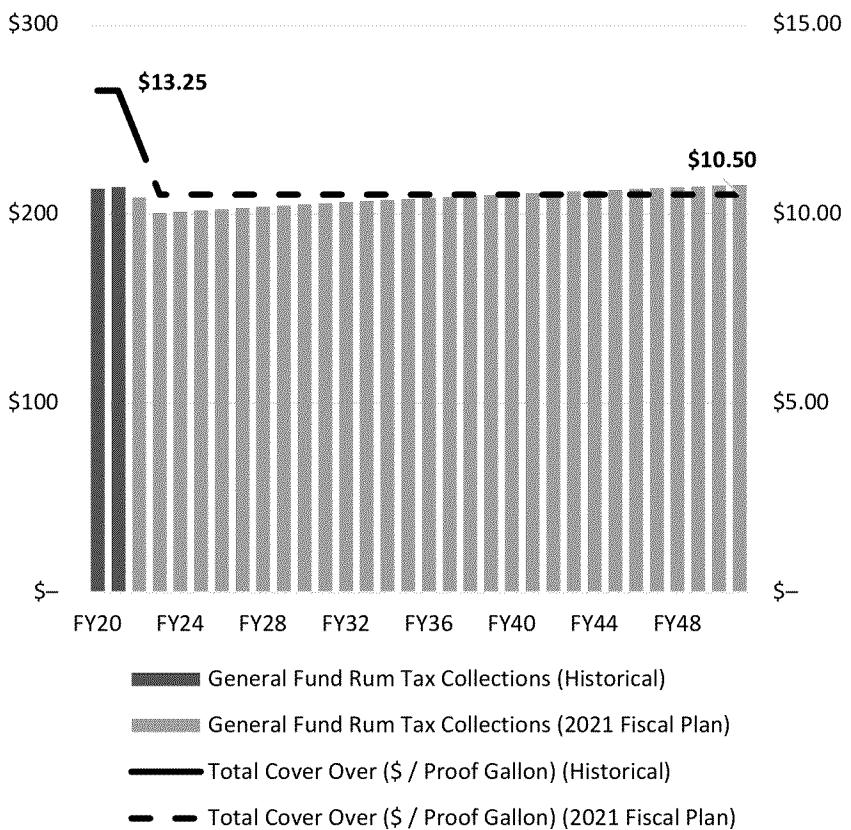
5 Outperformance

Rum Tax CVI shares only 0.6% of potential revenue outperformance

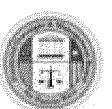
	Rum Tax CVI
Metric to Measure Outperformance	<ul style="list-style-type: none"> General Fund Rum Tax collections per April 2021 Fiscal Plan, including distributions under current legislation Calculated off ~50% rum tax collections 0.6% of FY20 debt policy revenues
Sharing of Outperformance	<ul style="list-style-type: none"> Lesser of: <ul style="list-style-type: none"> 40% of <u>cumulative</u> outperformance 50% of <u>annual</u> outperformance
Lifetime Cap	<ul style="list-style-type: none"> \$1.3 billion (applies to both PRIFA share of Clawback SUT CVI and Rum Tax CVI)
Annual Cap	<ul style="list-style-type: none"> \$88 million, if \$2.75 supplemental cover over legislation is extended by Congress⁽¹⁾ \$30 million on amounts shared with creditors
Term	<ul style="list-style-type: none"> 30 years

RUM TAX GENERAL FUND PROJECTIONS

(\$ in millions)



⁽¹⁾ "Supplemental cover over" is the \$2.75 incremental rum tax cover over (i.e., above the \$10.50 base cover over). Legislation to enable such supplemental cover over is passed by Congress and is currently set to expire at the end of CY2021, should Congress not extend the legislation.



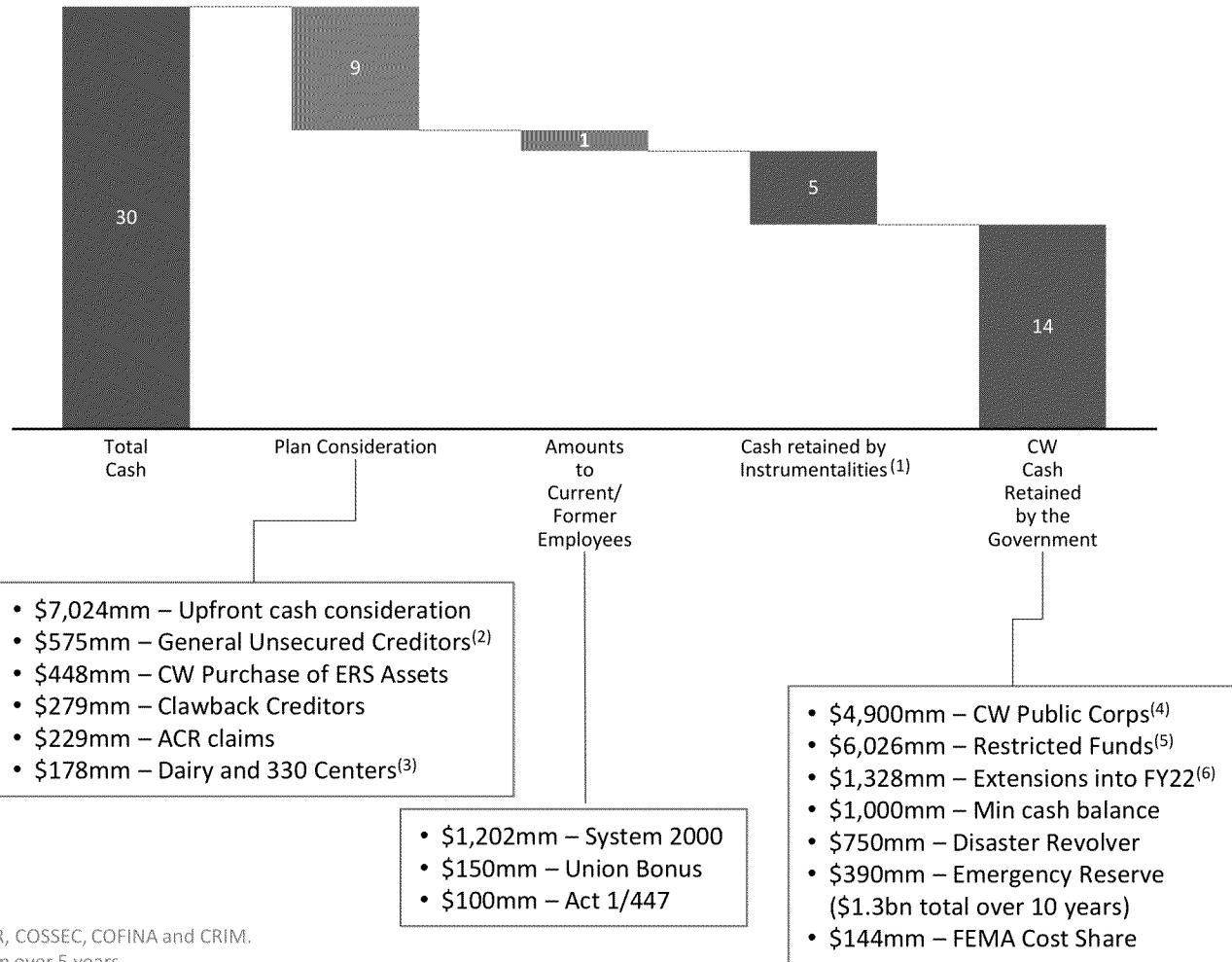
6

Government Retains Significant Cash

Highlights of Cash Provision in PoA

- \$19.6 billion, or nearly 67%, of cash is retained by the central government and instrumentalities for operating purposes, emergency needs, use of federal funds, and public corporation funds
- \$1.5 billion returned to System 2000, Act 1/447 participants and pay union bonuses
- Almost \$1 billion used to settle longstanding claims including those with the local residents and businesses
- Only 30% of total Commonwealth cash paid to creditors as consideration in the Plan
 - The cash distribution to bondholders represents approximately half of the debt service otherwise due since the beginning of the case

Uses of Existing Cash per Plan of Adjustment (\$ in billions)



1) Instrumentalities include PREPA, PRASA, PRIDCO, GDB, UPR, COSSEC, COFINA and CRIM.

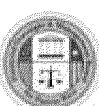
2) Total payments to general unsecured creditors are \$575mm over 5 years.

3) Total payments to Dairy Producers and 330 Centers are \$178mm over 3 years.

4) CW Public Corps includes Housing Finance Corp, Infrastructure Financing Authority, AAFAF, SIFIC Public Finance Corp and ASES.

5) Restricted Funds include COVID funds (\$3.5bn), other Federal Funds, Third Party funds, and Tax exempt bond proceeds

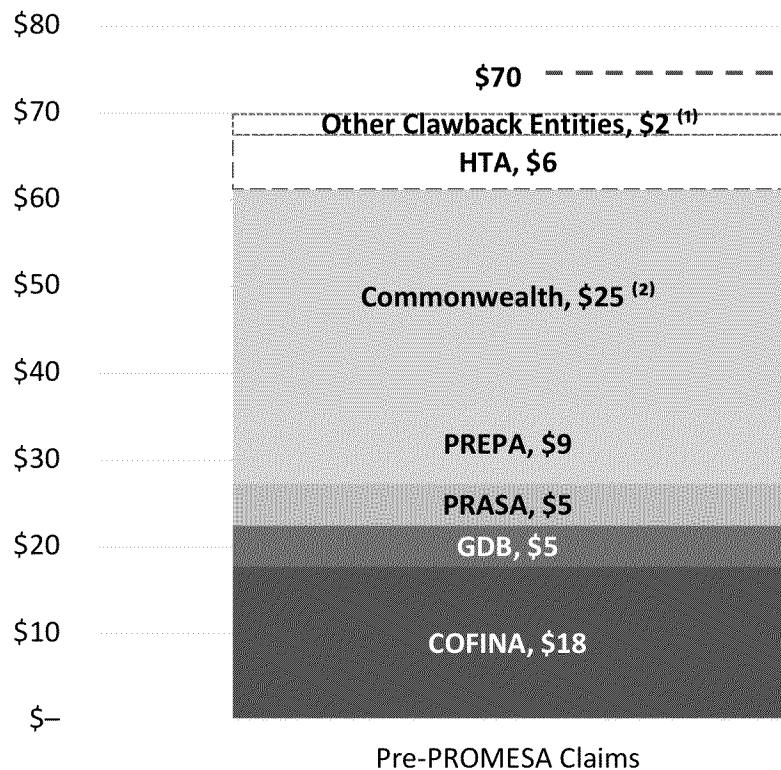
6) Preliminary fund extensions as of August 6, 2021.



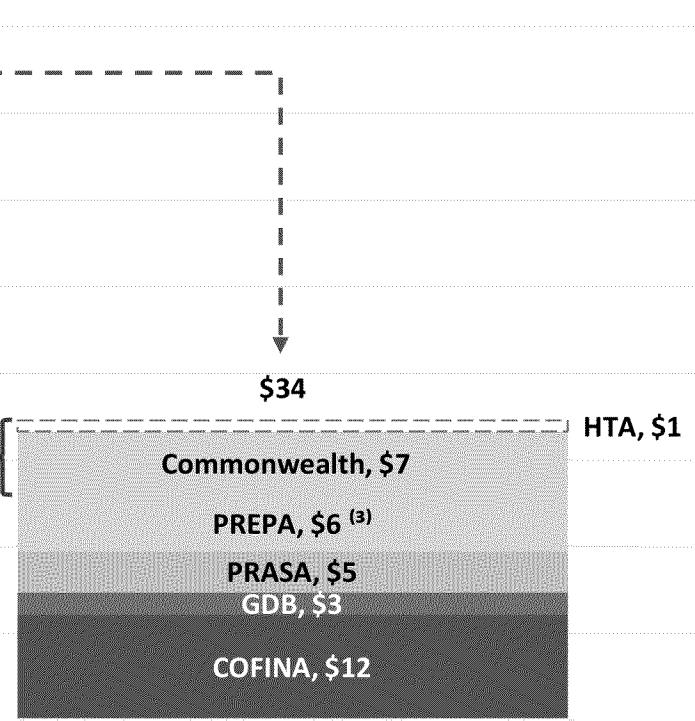
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COMMONWEALTH PRE-PROMESA OBLIGATIONS
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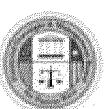
COMMONWEALTH POST-PLAN OBLIGATIONS
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Protects most vulnerable retirees from any cut; any and all cuts can be restored; creates a sustainable way to fund future pension payments

4

Government Employees Get Stability and Trust

Repays up to \$1.5bn to employees for their System 2000 contributions and Act 1 / 447 participants; preserves worker rights by enforcing new labor friendly CBAs

5

Outperformance Benefits Government Employees and Retirees

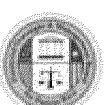
Vast majority of benefits accrue to employees and retirees if the government performs well

6

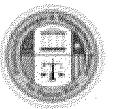
Government Retains Significant Cash

Government gets to keep more than \$19.6bn⁽¹⁾ for operating & emergency use

1) Includes instrumentalities, public corporations, restricted funds, and Commonwealth cash.

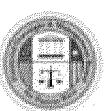


Glossary



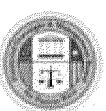
Glossary

- **CABs**: Capital Appreciation Bonds. These bonds increase in value over time, but do not pay any annual cash interest. Instead, the entirety of the value of the bond, including all accrued interest, is paid at the maturity of the bond
- **CBAs**: Collective Bargaining Agreement(s)
- **CFP**: Certified Fiscal Plan. The Commonwealth Fiscal Plan certified at least annually by the Oversight Board and most recently certified on April 23, 2021
- **CIBs**: Current Interest Bonds. These bonds pay interest semiannually in cash
- **CVI**: Contingent Value Instrument. Instrument is paid only if the Commonwealth outperforms baseline projections; the Commonwealth shares in such outperformance and retains the entirety of the baseline projections. This sharing of outperformance is subject to annual and lifetime caps
- **CVI Terms**
 - **Annual Cap**: Limits the annual payments to creditors over the lifetime of the instrument
 - **Cumulative vs. Annual Outperformance**: Commonwealth CVIs set limits on both cumulative and annual outperformance shared with creditors
 - o **Cumulative Outperformance**: Cumulative outperformance limit ensures that creditors are not paid due to volatility in tax collections and that the Commonwealth retains its share of outperformance over the long run
 - o **Annual Outperformance**: Annual outperformance limit ensures that the Commonwealth never has to pay more than the outperformance earned in any one year
 - **Lifetime Cap**: Limits the aggregate payments to creditors over the lifetime of the instrument
 - **Term**: Period of time during which the instrument remains payable



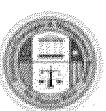
Glossary

- **Debt by Entity**
 - **Clawbacks**: Debt against HTA, PRIFA, MBA, or CCDA originally payable from appropriations from the Commonwealth to HTA, PRIFA, MBA, or CCDA. Holders of this debt assert claims against the entities that issued the debt (HTA, PRIFA, MBA, and CCDA) and claims against the Commonwealth for its failure to make the appropriations. The latter claims are disputed and settled under the proposed Plan of Adjustment. ~\$8.5 billion in claims
 - **CCDA**: Convention Center District Authority. Clawback revenues include the hotel occupancy tax. CCDA will be restructured through the Commonwealth Title III. ~\$400 million in claims
 - **HTA**: Highway Transportation Authority. Clawback revenues include gas and gas oil taxes, motor license vehicle fees, petroleum products tax, and Act 30-31 revenues. HTA will be restructured through a separate Title III. ~\$ 6 billion in claims
 - **MBA**: Metropolitan Bus Authority. Clawback revenues include cigarette tax revenues. MBA will be restructured thought the Commonwealth Title III. ~\$30 million in claims
 - **PRIFA**: Infrastructure Financing Authority. Clawback revenues include rum tax collections. PRIFA will be restructured through the Commonwealth Title III. ~\$2 billion in claims
 - **COFINA**: Sales Tax Financing Corporation. Debt secured by 5.5% Sales and Use Tax collections. COFINA's Title III was confirmed and implemented in February 2019
 - **ERS**: Employee Retirement System. ERS debt will be restructured through the Commonwealth Title III. ~\$3 billion in claims
 - **GDB**: Government Development Bank. Restructured in 2017-2018
 - **GO / PBA**: General Obligation and Public Buildings Authority. ~\$19 billion in Commonwealth and Commonwealth Guaranteed claims
 - **PRASA**: Aqueduct and Sewer Authority. Debt service reprofiled out of court
 - **PREPA**: Electric Power Authority. PREPA will be restructured through a separate Title III. ~\$9 billion in claims
- **Debt Management Policy**: Guidelines ensuring that Puerto Rico's restructured debt remains affordable and its future debt service is subject to certain formulas to assure it will be sustainable
- **Debt Policy Revenues**: Commonwealth own-source revenues, or revenues derived from taxes, fees, permits, licenses, or other charges imposed, approved, or authorized by the Commonwealth Legislature. Excludes all federal transfers
 - Includes COFINA and other instrumentalities of the Commonwealth
 - As of FY2020, Debt Policy Revenues were ~\$15 billion
- **Debt Service**: Cash required to pay interest and principal payments for a certain period of time
- **Funded Ratio**: The ratio of the Total Pension Liability divided by the Net Fiduciary Position under GASB 67 (and GASB 25 prior to 2014), measuring the portion of the liability funded by assets in the trust
- **GFOA**: Government of Finance Officers Association



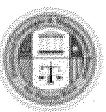
Glossary

- **GUCs**: General Unsecured Creditors. An unsecured creditor has lent money or advanced credit, such as by supplying goods or services, without specific collateral to assure payment. GUCs can range from trade claims from vendors to large unsecured loans from financial institutions
- **Net Asset Balance**: Total market value of assets in the trust net of trust liabilities including bonds payable, as defined under GASB 67 as the Net Fiduciary Position
- **Pension**: Consists of obligations under ERS, TRS, and JRS. Includes the following categories of ERS participants:
 - **Act 447**: Act 447 of 1951 established multiple employer defined benefit retirement system in Puerto Rico, as a Component Unit of the Government of Puerto Rico, which generally includes participants hired prior to 1990
 - **Act 1**: Act 1 of 1990 amends Act 447 to establish a revised traditional defined benefit structure provided under the Employee Retirement System for those hired from 1990 through 2000
 - **System 2000**: Further modifies Act 447 to transition new employees hired from 2000 through 2017, with slight modifications under Act 3-2013, to employee funded hybrid notional accounts administered by ERS
- **Pre-Petition**: The period prior to the Oversight Board filing the Commonwealth Title III petition (i.e., before the Board filed the petition for bankruptcy)
- **PSA**: Plan Support Agreement. A PSA is an agreement between the Commonwealth and a set of stakeholders, often creditors. This document sets forth the agreement between the parties, binding both parties to support the deal as described
- **Public Corporation**: Distinct legal entities separate from the Commonwealth government, such as PREPA, PRASA, PBA, SIFC, and AAC
- **Restricted Funds**: Cash balances unavailable for general operations because earmarked for federal funds, third party contracts/funds, court orders, tax exempt bond proceeds, and Title III matters
- **Rum Tax CVI**: CVI on the General Fund Rum Tax Collections. Receives payments on account of outperformance of General Fund Rum Tax Collections; paid only if the Commonwealth outperforms baseline projections per the 2021 Commonwealth CFP projections
 - **General Fund Rum Tax Collections**: Portion of Rum Tax Collections retained by the General Fund as a result of Rum Tax Waterfall
 - **Rum Tax Collections**: Rum taxes are collected on every proof-barrel of rum sold in the U.S. mainland. The taxes are initially collected by the U.S. Treasury and then “covered-over” to Puerto Rico based on its relative sales vs. USVI
 - **Rum Tax Waterfall**: Allocation of rum tax collections to various stakeholders, including the Science & Technology Trust, Conservation trust, PRIDCO, and rum tax producers. The pre-PROMESA allocation of funds is based on statute and policy
 - **Supplemental Cover Over**: The \$2.75 incremental rum tax cover over (i.e., above the \$10.50 base cover over). Legislation to enable such supplemental cover over is passed by Congress and is currently set to expire at the end of CY2021, should Congress not extend the legislation
 - **Total Cover Over**: Total \$ per proof-barrel covered over by the U.S. Treasury. Historically, includes \$10.50 base cover over and \$2.75 supplemental cover over

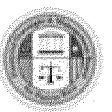


Glossary

- **Security Interest:** Similar to a mortgage, a security interest is a legal claim or lien against an asset. If the debtor does not make a payment on the debt, the creditor has a right to the asset or its value
- **Surplus**
 - **Fiscal Plan Excess Surplus:** Amounts on a cash basis above and beyond the Certified Fiscal Plan in effect as of the effective date for the Plan of Adjustment for the Commonwealth
 - **Primary Surplus:** Surplus before debt service, including surplus from entities for which the Commonwealth's ability to access such surplus may be at risk
- **SUT CVI:** Sales and Use Tax Contingent Value Instrument. Receives payments on account of outperformance of 5.5% SUT Collections; paid only if the Commonwealth outperforms baseline projections per the 2020 Commonwealth CFP projections
- **Unions**
 - **AMPR:** Collectively, the American Federation of Teachers, Asociacion de Maestros de Puerto Rico, and Asociacion de Maestros de Puerto Rico – Local Sindical
 - **SPU:** Servidores Publicos Unidos (United Public Servants), which is affiliated with the American Federation of State, County and Municipal Employees (AFSCME)



Appendix



Recovery Summary

Aggregate

(\$ in millions)	Claim ⁽¹⁾	Commonwealth Consideration			Entity Consideration		Aggregate Recovery (%) ⁽³⁾
		Cash / Debt	CVI ⁽²⁾	Recovery (%) ⁽³⁾	Cash / Debt	CVI ⁽²⁾	
Commonwealth	\$33,628	\$16,011	\$1,526	52.1%	\$1,746	\$102	57.6%
COFINA	17,637	–	–	–	12,021	–	68.2%
GDB	4,723	–	–	–	2,598	–	55.0%
PREPA	9,300	–	–	–	6,429	–	69.1%
PRASA	4,797	–	–	–	4,740	–	98.8%
Total	\$70,085	\$16,011	\$1,526	25.0%	\$27,534	\$102	64.5%
Pension Claim ⁽⁴⁾	55,000	n.a.	n.a.	n.a.	n.a.	n.a.	96.9%

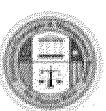
Note: Includes fees. Discount rate is an illustrative assumption for purposes of the table and does not reflect the FOMB's or its advisors view of valuation.

1) Claims shown as of respective petition dates.

2) CVI assumes (i) 10% discount rate on Clawback SUT CVI and 5% discount rate on Rum Tax CVI, (ii) April 2021 Fiscal Plan SUT Projections, and (iii) the extension of the incremental \$2.75 / proof gallon cover over, as applicable.

3) Recoveries calculated on the basis of claims as of Commonwealth petition date, with the exception of ERS.

4) Pension Claim only reflects effect of cut.



Recovery Summary

Commonwealth

(\$ in millions)	Claim ⁽¹⁾	Commonwealth Consideration			Entity Consideration		Aggregate Recovery (%) ⁽³⁾
		Cash / Debt	CVI ⁽²⁾	Recovery (%) ⁽³⁾	Cash / Debt	CVI ⁽²⁾	
GO / PBA	\$18,754	\$14,438	\$750	81.0%	\$-	\$-	81.0%
ERS ⁽⁴⁾	3,169	519	—	16.4%	—	—	16.4%
HTA	6,258	54	532	9.4%	1,634	—	35.5%
PRIFA	1,929	260	209	24.3%	—	102	29.6%
CCDA	384	3	31	8.9%	112	—	38.1%
MBA	30	—	3	10.3%	—	—	10.3%
Clawbacks Total	\$8,600	\$317	\$775	12.7%	\$1,746	\$102	34.2%
GUCs ⁽⁵⁾	2,750	560	—	20.4%	—	—	20.4%
Dairy Producers	62	31	—	50.0%	—	—	50.0%
Med Centers ⁽⁶⁾	294	147	—	50.0%	—	—	50.0%
Commonwealth	\$33,628	\$16,011	\$1,526	52.1%	\$1,746	\$102	57.6%
Pension Claim ⁽⁷⁾	55,000	n.a.	n.a.	—	n.a.	n.a.	96.9%

Note: Includes fees. Discount rate is an illustrative assumption for purposes of the table and does not reflect the FOMB's or its advisors view of valuation.

1) Claims shown as of Commonwealth petition date, with the exception of ERS, which is as of the ERS petition date.

2) CVI assumes (i) 10% discount rate on Clawback SUT CVI and 5% discount rate on Rum Tax CVI, (ii) April 2021 Fiscal Plan SUT Projections, and (iii) the extension of the incremental \$2.75 / proof gallon cover over, as applicable.

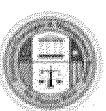
3) Recoveries calculated on the basis of claims as of Commonwealth petition date, with the exception of ERS.

4) Includes \$373 cash, \$75 fee, \$70.75 private equity portfolio purchase price.

5) Includes Eminent Domain claims. Claims reconciliation process remains ongoing. \$2,750 estimated claim amount represents best estimate of claim amounts for this class. The actual claim amount may differ materially from estimates. Does not include net recoveries from the Avoidance Actions Trust. Pursuant to Sections 1.273 and 62.1(a) of the CW Plan, recoveries are subject to a cap of 40%. Any net recoveries by the Avoidance Actions Trust will not count towards attaining that cap. Assumes \$15 in cash from the CW GUC Recovery is used to fund the Avoidance Actions Trust.

6) Assumes Med Centers votes to accept Plan.

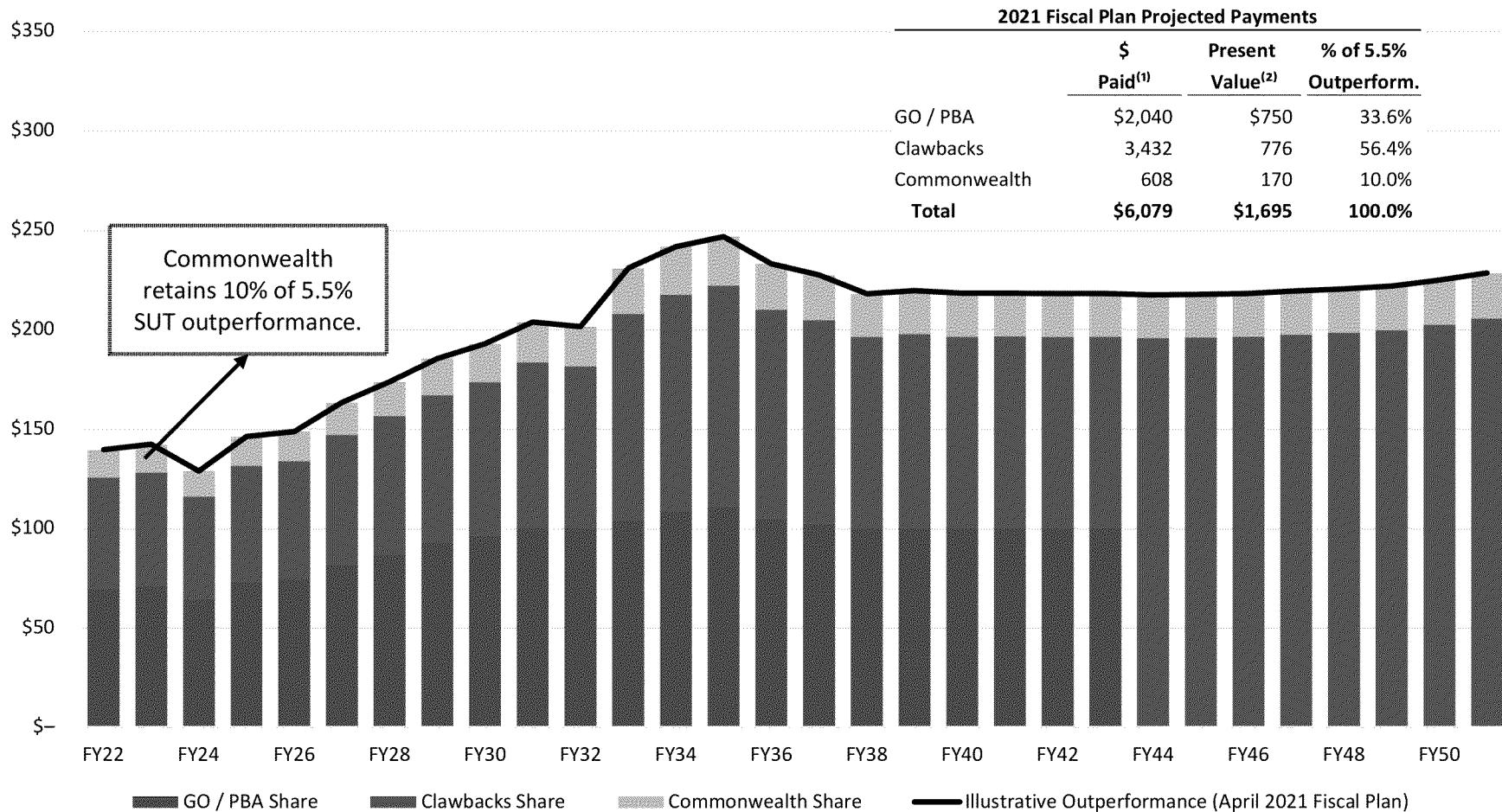
7) Pension Claim only reflects effect of cut.



Outperformance

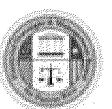
Illustrative SUT CVI Payments per April 2021 Fiscal Plan

(\$ in millions)



1) Excludes any payments on account of Rum Tax CVI.

2) Discounted at 10% to July 1, 2021 assuming 10% discount rate and April 2021 Fiscal Plan. Discount rate is an illustrative assumption for purposes of the table and does not reflect the FOMB's or its advisors view of valuation.

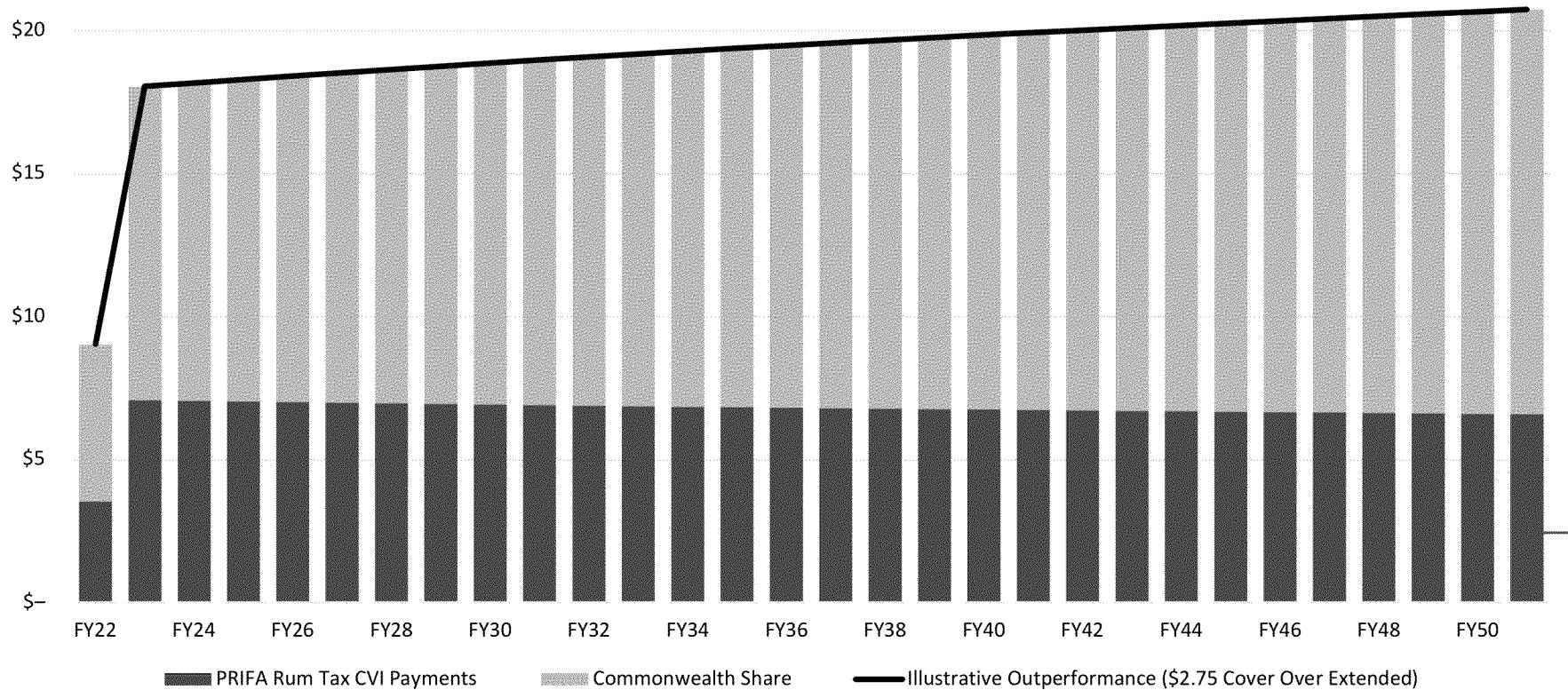


Outperformance

Rum Tax CVI Payments Assuming \$2.75 Supplemental Cover Over Extended

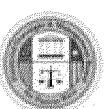
(\$ in millions)	\$2.75 Rum Tax Cover Over Extended			
	Nominal	PV ⁽¹⁾	Outperform.	
\$25	PRIFA CVI	\$200	\$102	34.9%
	Commonwealth ⁽²⁾	374	183	65.1%
	Total	\$574	\$285	100.0%

If the \$2.75 Supplemental Cover Over is extended, Rum Tax CVI payments would total an average of \$7mm per year over the 30-year period.



1) Discounted at 5% to July 1, 2021 assuming 5% discount rate and \$2.75 supplemental cover extended. Discount rate is an illustrative assumption for purposes of the table and does not reflect the FOMB's or its advisors view of valuation.

2) General fund outperformance shown without effect of \$88mm cap on supplemental cover over revenues.



MINUTES VERSION



Financial Oversight and Management Board for Puerto Rico
Meeting Script

Event: Twenty-Ninth Public Meeting

Date: July 1, 2021

Place: Puerto Rico Convention Center and Video Conference

Time: 9:00 am AST

Open the Public Meeting

David Skeel:

Introduced himself as a Chairman of the Board and welcomed all persons present to the public meeting of the Financial Oversight and Management Board for Puerto Rico, which is being held at the Puerto Rico Convention Center and broadcasted by video conference.

The Chair proceeded to conduct a roll call to determine which members were present in person and by video conference.

- Andrew G. Biggs [Present in person]
- Arthur Gonzalez [Present in person]
- John Nixon [Present in person]
- Antonio Medina [Present in person]
- Justin Peterson [Not present]
- Betty Rosa [Not present]
- David Skeel [Present in person]
- *Ex Officio* Member Governor Pedro Pierluisi [Present in person]

The Chair determined that quorum was present and called the meeting to order.

The Chair asked Mr. Jaime El Koury, General Counsel of the Board, to act as

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Secretary for the meeting.

The Chair announced that the Board would be handling the public's questions and comments in person and that questions or comments made through the Board's website would be answered later in the website.

The Chair recognized the presence of the Executive Director, Deputy Executive Director and General Counsel of AAFAF.

The Chair then made the following remarks: "The Oversight Board would like to take a moment to recognize the Governor and the Secretary of Treasury for successfully completing the 2018 Audited Annual Report on June 30, 2021. The issuance of the audited financial statements is a core component of PROMESA central in achieving fiscal sustainability and access to capital markets at reasonable rates. The Oversight Board is committed to assisting the Government complete such important milestones, as we now look forward to the issuance of the 2019 and 2020 Audited Annual Reports."

The Chair proceeded to announce that the following topics would be part of the Board's public meeting agenda:

- 1. Approval of Minutes of Public Meeting and Executive Sessions of the Board**
- 2. Administrative Matters**
- 3. Update from the Executive Director**
- 4. Certified Budget Presentations**
- 5. Public Comment Period**
- 6. Other Matters**

1. Approval of Minutes

The Chair announced that the first order of business is to approve the minutes of the Board's last public meeting held on May 27, 2021 included in the meeting materials as Appendix A and the minutes for the executive sessions held on May

MINUTES VERSION

26, June 4, June 11, June 25, June 29 and June 30, 2021 included in the meeting materials as Appendix B, and asked if there were any questions from Board members regarding said minutes included in the Board members' meeting materials.

The Chair announced that there were no questions, and proceeded to ask for a motion to approve the minutes.

John Nixon moved to "Approve the minutes of the Board's public meeting held on May 27, 2021 included in the meeting materials as Appendix A and the minutes for the executive sessions held on May 26, June 4, June 11, June 25, June 29 and June 30, 2021 attached as Appendix B, in the form presented to the meeting."

Arthur Gonzalez seconded the motion.

The Chair asked for a vote by a voice vote and announced that all Board members having voted in favor of the motion, the minutes were approved.

2. Administrative Matters

Andrew Biggs made the following motion:

Resolution: Between the adjournment of this meeting and the opening of the Board's next public meeting, the Board may consider in executive session any and all matters that it is authorized to consider under PROMESA, including (1) any certification determinations authorized by PROMESA, including certification determinations under Section 206 of PROMESA, (2) any submissions or authorizations authorized by PROMESA and (3) any filings authorized under Title III of PROMESA, in each case that are set forth as part of the vote to convene such executive session. The Board may also act by unanimous written consent between meetings in accordance with the Bylaws, with such consent to include consent by electronic transmission.

Antonio Medina seconded the motion.

The Chair asked for a vote by a voice vote and announced that all Board members having voted in favor of the motion, the Resolution was approved.

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John Nixon moved to confirm and approve the Unanimous Written Consents adopted by the Board and to file the Unanimous Written Consent adopted by the Special Claims Committee, in each case since the adjournment of the Board's last public meeting, and which are listed in Appendix C hereto.

Arthur Gonzalez seconded the motion.

The Chair asked for a vote by a voice vote and announced that all Board members having voted in favor of the motion, the Resolution was approved.

The Chair announced that the next agenda item would be an update from the Executive Director, Ms. Natalie Jaresko.

3. Update from Executive Director

The Chair announced that the next agenda item would be an update from the Executive Director, Ms. Natalie Jaresko.

Ms. Jaresko made the following remarks:

"Thank you Chairman Skeel.



Update from the Executive Director

July 1, 2021



This document is the original version. It is subject to changes.

MINUTES VERSION

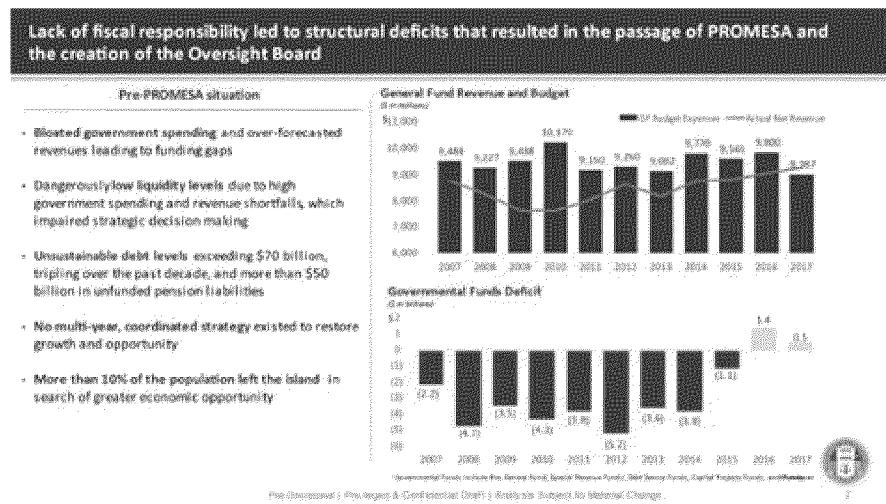
Today marks a very important milestone for Puerto Rico. It is time for the review and certification of the government's annual budgets.

We will be presenting 9 separate budgets for your certification today. These budgets represent the government's spending priorities for the next 12 months in conformance with their respective fiscal plans.

These budgets are also far more transparent than those produced before PROMESA. And they continue the trend of laying out all governmental spending comprehensively and in detail.

Before we turn to each certification, close the books on this fiscal year and open the books on the next one, I would like to spend a few minutes highlighting the critical importance the budgeting process has on the path ahead.

Please turn to the next page.



This page shows the environment that existed prior to PROMESA

Historically, as the chart on the right shows, the government's spending, represented as the blue bars, greatly exceeded recurring revenues, represented as the red line.

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- + The budgets were not balanced. This caused the government to scrape together other sources of funds, including borrowing from the capital markets, to pay for its expenses.
- + Ultimately, these recurring deficits, as shown in the chart on the bottom right, caused the government to deplete its bank accounts and stop funding other critical expenses, like pensions.
- + It ultimately led to dangerously low liquidity levels that impaired strategic decision making
- + No multi-year, coordinated strategy existed to restore growth and opportunity
- + Please turn to the next page.

Budgets are the main tool to manage spending priorities and identify investments in the future	
Why the budget is important <ul style="list-style-type: none">• The budget is the primary way to prioritize investments and implement the Government's priorities• The budget, when aligned with a multi-year fiscal plan, provides a method to achieve fiscal responsibility and long-term growth• When done properly, the budget allows for transparency and accountability for the public to understand how their tax collections are spent• This year's certified budget consolidated the Legislature's approved General Fund with the Special Revenue Fund and Federal Fund appropriations• The consolidated budget includes all types of spending including many areas that historically were not budgeted at all	Budget principles <ul style="list-style-type: none">• Carefully developed revenue forecasts that are consensus based and avoid overestimation• Spending which incorporates input from all stakeholders and reflects priority investments• Breakdown of expenses to enable sufficient control and accounting of all costs• Adequate reporting and transparency throughout the year on how actual spending compares to budgeted amounts• Clearly identified roles and responsibilities on the enforcement of all elements of the budget and reporting
<small>For Government ; Proprietary & Confidential Data ; Strictly Not Subject To Disclosure Copyright</small>	

- + This leads to one of the main points I would like to convey.
- + Budgets are the main tool to manage spending levels, plan for future investments, and implement the Government's priorities
- + Budgets, when aligned with a multi-year financial plan, like the ones certified earlier this year, provide a method to achieve fiscal responsibility and long-term growth

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+ And, when done properly, budgets allow for transparency and accountability for the public to understand how their tax collections are spent

+ I want to acknowledge the significant collaboration with the Government, both the Executive and Legislature branches, that went into developing a General Fund budget for this year. The General Fund budget was, for the first time since PROMESA's enactment, approved by the Legislature, signed by the government, and, as will be presented shortly, we believe is consistent with the fiscal plan.

+ Similar to past years, the General Fund budget is consolidated with the Special Revenue and Federal Fund budgets to make up the Commonwealth's comprehensive certified budget.

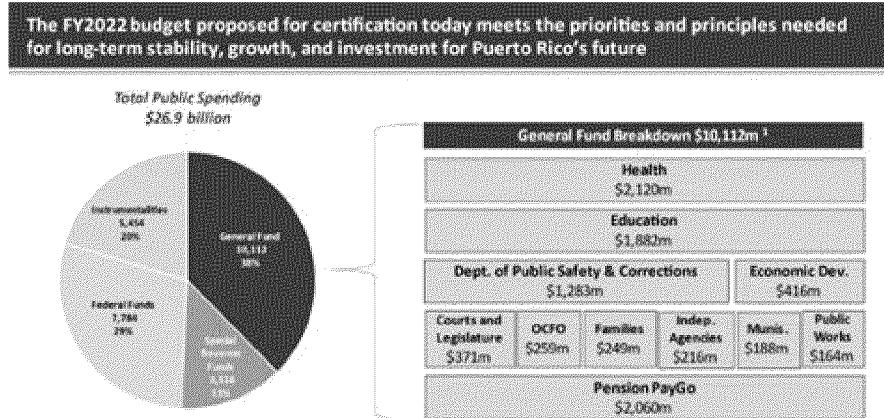
+ The consolidated budget continues the recent trend of budgeting for all spending. In some instances, what looks like an increase in governmental spending is actually spending that was already occurring but is now done transparently, in the public eye, and with limitations.

+ As shown on the right side of this page, there are also several key principles that were adhered to in the adoption of the budgets. This includes:

- Carefully developing revenue forecasts based on consensus to avoid over-estimation
- Spending that incorporates feedback from all stakeholders
- Expenses detailed at a level that enables sufficient control and accounting of all costs
- Frequent reporting on how actual spending compares to budgeted amounts, and
- Roles and responsibilities that are clearly defined on enforcement and reporting of the budget

+ Please turn to the next page.

MINUTES VERSION



+ Although we will present each component of the budgets to you shortly, this is a high level visual of total governmental spending for the next fiscal year.

+ Fiscal year 2022 total public spending, including the central government, federal funds, and for instrumentalities like PREPA, PRASA, and HTA, totals approximately \$27 billion and meets the priorities and principles needed for long-term stability, growth, and investment.

+ As shown on the right, the General Fund budget of \$10.1 billion, which is the budget approved by the legislature and signed by the governor, provides considerable funding for critical areas such as health, education, public safety, and economic development.

+ Please turn to the next page.

MINUTES VERSION

The revised budgeting process under PROMESA sets a foundation for investment, growth, and opportunity	
	<p>Before PROMESA</p> <ul style="list-style-type: none"> ✗ No medium-term plan commitment with fiscal priorities ✗ Strategy and fiscal policies not aligned
Budget Process	<p>✗ Certification of the General Fund with minimal details provided</p> <ul style="list-style-type: none"> ✗ Limited controls to ensure budget compliance and prevent overspending
Revenue Administration	<p>✗ Gross revenue estimates of revenues</p> <ul style="list-style-type: none"> ✗ Use of one-time revenue sources such as debt issuance to fund budget shortfalls
Expenditure Management	<p>✗ Limited analysis and detail resulted in minimal controls and visibility</p> <ul style="list-style-type: none"> ✗ Inefficient spending track office and administration rather than critical services
Financial Reporting	<p>✗ Lack of transparency and reporting limited the ability to manage actual spend</p> <ul style="list-style-type: none"> ✗ Unacceptable delay in publishing audited financials
	<p>Under PROMESA</p> <ul style="list-style-type: none"> ✓ Publication of Fiscal Plans establishing a sustainable spending plan for the next 10+ years ✓ Certification of General Fund, Special Revenue Fund, and Federal Fund budgets with additional detail and control language
	<ul style="list-style-type: none"> ✓ Forecasts based on key macroeconomic indicators (prevention over-estimation) ✓ Enhanced focus on collections and additional revenue opportunities
	<ul style="list-style-type: none"> ✓ Thoughtful and deliberate choices on spending priorities ✓ Spending focused on essential public services, infrastructure, and economic development
	<ul style="list-style-type: none"> ✓ Fiscal Plan establishes comprehensive reporting requirements for financial and operational metrics ✓ Plan to publish detailed audited financials

This Checklist is FTA's Budget & Certifications Draft 2 Analysis Subject to Technical Changes



+ The revised budgeting process under PROMESA sets a foundation for investment, growth, and opportunity

+ Fiscal accountability and transparency are two key areas where considerable progress has already been made under PROMESA

+ As we look at some of the key reforms, it becomes clear PROMESA instilled, for the first time, new fiscal discipline from a strategic planning process.

+ Prior to PROMESA, multi-year plans were not consistent with fiscal priorities and the overall strategy was not aligned with fiscal policies that may have been in place

+ The budget process now includes all spending, not just a portion of it. Not only is there greater detail but also more control language to further strengthen accountability and transparency

+ Revenue forecasts have also improved. The forecasts are now based on key macroeconomic indicators to prevent over-estimation and there is an enhanced focus on collections and additional revenue opportunities

+ The past practice of over-forecasting revenues and use of one-time sources to fund budget shortfalls has come to an end

MINUTES VERSION

- + There is now considerable emphasis on being more thoughtful and deliberate on spending priorities with a focus on essential public services, retirees, and economic development
- + And finally, financial reporting on financial and operational metrics has brought a new level of transparency and trust into the budget and planning processes.
- + Please turn to the next page.

Commonwealth budgets now include significant more detail and items not previously budgeted																																																																										
Pre-PROMESA sample agency budget	Under PROMESA sample agency budget	Sample of items not previously budgeted																																																																								
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+ Consider for a moment how far we have come under PROMESA and how much the budgeting process has improved.

+ This page shows a sample agency budget on the far left in the pre-PROMESA world. The legislature approved a budget for this agency that had two lines: payroll and operating expenses. The budget was also split between two completely separate resolutions making it difficult to understand the consolidated spending of each agency.

+ Consider for a moment while more details on the agency's budget might have been disclosed in budget hearings or disclosed elsewhere, the main document that drove the fiscal priorities for the government, for this agency, was, in this instance, two lines.

MINUTES VERSION

+ The middle column shows the General Fund budget for the same agency being presented to you today. This is the General Fund budget allocation passed by the legislature and signed by the governor.

+ It still provides considerable flexibility for the government to allocate spending to priorities within the agency, but it also provides the public, and the government with much more visibility and control.

+ As shown on the far right, this year's budget also continues a trend to budget for spending not previously budgeted. Like I mentioned earlier, in some instances, where it looks like spending increased year on year, in reality, the budget is being more transparent by showing all governmental expenditures.

+ Please turn to the next page.

Active management and oversight on spending throughout the year is important to be able to control costs and to be able to shift funding to other priorities as they emerge		
Reporting	Reapportionments	Fiscal Controls
<ul style="list-style-type: none">• Accurate and consistent reporting allows the Commonwealth to monitor monthly performance and adjust spend levels in a timely manner• The fiscal manager uses comprehensive reporting through a wide range of reports:<ul style="list-style-type: none">▪ Budget to actual▪ Liquidity and bank accounts▪ Payroll and headcount▪ Measures implementation▪ Recovery and disaster funds▪ Pensions	<ul style="list-style-type: none">• A comprehensive process to evaluate budget changes throughout the fiscal year ensures sufficient funding sources to support operating needs• Reapportionments include:<ul style="list-style-type: none">▪ Reclassification within an agency▪ Reclassification from one agency to another▪ Allocation of reserves such as capex and utilities to various agencies	<ul style="list-style-type: none">• The budget resolution includes control language that is used to monitor and enforce fiscal controls to remain compliant with the budget• Reserves, including the Emergency Reserve and the 2.5% hold back, ensure there is sufficient funding to manage any extraordinary events• Communication and coordination between agencies, OMB, AAFAF, and Legislature allows the Government to collaborate and manage risk

For Discussion; Not a Contracting Document; Not Yet Subject to Historical Change



+ While ensuring accurate and transparent budgets are certified is important, the budget management process does not end today. It only begins today.

+ It is just as critical to monitor expenditures throughout the year to maintain a balanced budget.

MINUTES VERSION

+ A more comprehensive monitoring process has been put in place focusing on areas including reporting, reapportionments, and compliance with fiscal controls.

+ More accurate and consistent reporting improves upon the ability to manage spending levels. The Government is now producing more than 30 reports in areas including budget performance, bank accounts, employee costs, as well as implementation of measures.

+ This visibility, combined with a thorough process to evaluate budget changes, ensures sufficient funding sources are available to support adjustments in operating needs throughout the year. This process has also become more transparent as these changes are reviewed in public meetings throughout the year.

+ Please turn to the next page.

With the first of four balanced budgets on the horizon, the next four years will be about permanently embedding and engraining fiscal management in the budgeting culture and process

In the next 4 years, the Government should focus on:

- * Operationalizing the Office of the Chief Financial Officer to provide a central focus on Government wide financial reform
- * Implementing a Civil Service Reform that includes:
 - * Strategic workforce planning
 - * Recruiting, developing and retaining top talent
 - * Promoting a performance culture
- * Implementing an ERP system that will drive efficiency and accuracy of financial information
- * Continuing to evaluate funding needs of the agencies to ensure agency efficiencies and consolidations while delivering adequate service
- * Timely publication of the audited financial statements
- * Complying with reporting requirements and improve timeliness and accuracy for transparency and accountability



Proposed version; Proprietary & Confidential; Draft; Not Yet Subject to Statute Change

+ With the first of four balanced budgets on the horizon, the next four years will be about permanently embedding and engraining fiscal management in the budgeting culture and process

+ Even though significant improvements have been made to the budget process, further progress towards fiscal responsibility is still required

MINUTES VERSION

+ Over the next four years, we will work with the Government to focus on:

1. Operationalizing the Office of the Chief Financial Officer, which will be the office that spearheads Government-wide financial reforms
2. Implementing a Civil Service Reform to be more strategic around planning, recruiting, developing, and retaining the workforce
3. Implementing an ERP system to establish a more accurate, efficient, and consistent financial reporting tool
4. Continuing to evaluate the true funding needs of the agencies, while holding the agencies accountable to providing adequate services in an efficient manner
5. Continuing to improve transparency and accountability by publishing audited financial statements on a best practices basis and complying with reporting requirements

Conclusion

Mr. Chairman, this concludes my update.”

4. Certified Budget Presentations

The Chair announced that the next agenda item would be the presentation of the Certified Budgets for the Commonwealth, PRIDCO, PREPA, PRASA, HTA, UPR, COSSEC, and COFINA.

Commonwealth

The Chair stated that the first presentation would be on the Commonwealth Certified Budget, with Ginorly Maldonado, Director of Commonwealth Fiscal Plan and Budget making the presentation.

Ms. Maldonado made the following remarks:

MINUTES VERSION

FY22 Certified Budget highlights

- ✓ Central Government budget consists of the General Fund, which represents almost half of the budget, as well as the Special Revenue Fund budgets. It excludes Federal stimulus funds such as CARES Act, CRSSA and ARP.
- ✓ FY22 Certified Budget, as enacted by legislature and signed into law by the Governor, is compliant with the Certified 2021 FPPM/Section 202 (c).
- ✓ Provides adequate funding for critical service stabilization, Health, Public Safety, Corrections, Economic Development, and Social Welfare.
- ✓ Enhances funding for social service programs to fight gender violence and child poverty, the Boys and Girls Club, additional and supporting students with the continued funding of an independent UPK scholarship fund.
- ✓ Focuses on operational improvements through agency consolidation, creation of the Office of the Chief Financial Officer, tax reform, enhancing tax compliance, optimizing taxes and fees, and reforming the Island's pension systems.
- ✓ Provides funding to meet the Governor's and individual agency requests for key initiatives such as civil service reform, support social programs, adequate parametric insurance coverage, and much-needed road repairs.
- ✓ Provides necessary funding to meet the requirements of consent decrees for Police, Corrections, Mental Health, Education, and the Clean Water Act.
- ✓ Includes budget incentives tied to the achievement of certain critical milestones.

"The FY22 certified budget, as enacted by the Legislature and signed into law by the Governor, is compliant with the Certified 2021 Fiscal Plan, with the following corrections:

1. Certain math errors in the Revised Proposed Budget resolution enacted by the Legislature and signed by the Governor (below for reference – no need to mention each line)
 - a. Page 17 – Item F. Servicios profesionales (Professional Services) 21,821,000- Total should be \$21,761,000
 - b. Page 30 – Item F. Servicios profesionales (Professional Services) 15,808,000- Total should be \$15,748,000
 - c. Page 59 – Item E iii. Para gastos de funcionamiento del Programa Pilar Barbosa de Internados en Educación, según lo Dispuesto en la Ley 53-1997 (To cover operating expenses of the Pilar Barbosa Program for Education Interns, as provided in Law 53-1997) \$75,324, amount should be \$75,325
 - d. Page 60 – Subtotal for Courts and Legislature \$444,856,000 should be \$434,856,000
 - e. Page 167 – Subtotal of Independent Agencies \$259,003,000 should be \$259,243,000

MINUTES VERSION

2. Section 14 – last paragraph. “The funds from the utility reserve...” should read “The funds from the reserve for Pension Obligation and PREPA employees...”
3. Section 17G - the fundamental purpose of the conditional appropriations is to incentivize the municipalities to work together to consolidate operations and services to generate savings from shared services, improve services, and increase sustainability of municipal operations. The milestones and standards the Oversight Board creates and enforces will focus on achieving that fundamental purpose of consolidating municipal operations.
4. Section 24 - for the avoidance of doubt, PROMESA establishes and controls the scope of the authority of the Oversight Board. Nothing in the Budget Resolution shall limit or otherwise constrain the Oversight Board’s authority under PROMESA. + It prioritizes funding for critical services such as Education, Health, Public Safety, Economic development.
 - + In addition, the budget provides funding for important social services such as fighting gender violence, ending child poverty, and for hiring additional social workers
 - + Adequate funding to meet the Governor’s and individual agency requests for key initiatives such as civil service reform, parametric insurance, and much needed road repair have been included
 - + Please turn to the next page